

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2014-1-E**

**June 12, 2014**

IN RE: Annual Review of Base Rates for            )  
      Fuel Costs of Duke Energy Progress,        ) **SETTLEMENT AGREEMENT**  
      Incorporated    )

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), Nucor Steel – South Carolina (“Nucor”), and Duke Energy Progress, Inc. (“DEP” or the “Company”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-27-865 (Supp. 2013), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine whether a settlement of the issues would be in their best interests;

WHEREAS, following these discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Joseph W. Coates (as adopted by ORS witness

Ivana Gearheart) and Michael L. Seaman-Huynh, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record, without objection or cross-examination by the Parties, before the Commission the pre-filed direct testimony and exhibits of Company witnesses Kenneth D. Church, T. Preston Gillespie, Jr. (includes redacted public and unredacted confidential version of Gillespie Exhibit 3), and Sasha J. Weintraub; the pre-filed direct and revised testimony of Joseph A. Miller, Jr.; and, the pre-filed direct testimony and exhibits and settlement testimony of Kimberly D. McGee. Nucor did not pre-file testimony in this Docket. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits, this Settlement Agreement and Attachments. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. As a compromise to positions advanced by Nucor, DEP and ORS, the Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

3. DEP's cumulative (under)-recovered base fuel cost balance for the period ending June 30, 2014, is projected to be (\$18,720,972) and the over-recovery environmental cost balance is projected to be \$434,103.

4. The appropriate fuel factors for DEP to charge for the period beginning with the first billing cycle in July 2014 extending through the last billing cycle of June 2015 are listed below. These fuel factors include environmental costs and the (under)-recovered fuel costs.

<b>Class</b>	<b>Base Fuel Cost Component (cents/kWh)<sup>1</sup></b>	<b>Environmental Fuel Cost Component (cents/kWh)</b>	<b>Total Fuel Costs Factor (cents/kWh)</b>
Residential <sup>2</sup>	2.968	0.042	3.010
General Service (non-demand)	2.945	0.039	2.984
General Service (demand)	2.945	0.000 <sup>3</sup>	2.945
Lighting	2.945	0.000	2.945

5. The Parties agree that the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2013).

6. The Parties agree to accept all recommendations in ORS witness Michael L. Seaman-Huynh's pre-filed direct testimony and the accounting adjustments as put forth in ORS witness Joseph W. Coates' Exhibit JWC-5 attached to his pre-filed Direct Testimony.

7. ORS thoroughly reviewed and investigated DEP's nuclear operations during the review period. As shown in ORS witness Seaman-Huynh's Exhibit MSH-2, DEP's nuclear fleet achieved an actual system capacity factor during the review period of 86.9%. DEP achieved this capacity factor notwithstanding the fact that it experienced three (3) scheduled refueling outages, four (4) maintenance outages, and five (5) forced outages during the review period. S.C. Code Ann. § 58-27-865 states that:

There shall be a rebuttable presumption that an electrical utility made every reasonable effort to minimize cost associated with the operation of its nuclear generation facility or system, as applicable, if the utility achieved a net capacity factor of ninety-two and one-half percent or higher during the period under review. The calculation of the net capacity factor shall exclude reasonable outage time associated with reasonable refueling, reasonable maintenance, reasonable repair, and reasonable equipment replacement outages; the reasonable reduced power generation experienced by nuclear units as they approach a refueling outage; the reasonable reduced power generation experienced by nuclear

<sup>1</sup> As shown in Settlement Agreement Attachment A.

<sup>2</sup> The Residential Base Fuel Factor includes a RECD factor of 0.7683%.

<sup>3</sup> The environmental rate for these customers is 14 cents per kW.

units associated with bringing a unit back to full power after an outage; Nuclear Regulatory Commission required testing outages unless due to the unreasonable acts of the utility; outages found by the commission not to be within the reasonable control of the utility; and acts of God. The calculation also shall exclude reasonable reduced power operations resulting from the demand for electricity being less than the full power output of the utility's nuclear generation system.

Excluding all reasonable outage time pursuant to S.C. Code Ann. §58-27-865(F), DEP's net capacity factor for the review period was 102.21%.

8. DEP has agreed to accept an adjustment of \$343,999 made by ORS in March 2014, certain rounding adjustments, as well as ORS' recalculation of estimated fuel costs for the months of April, May, and June 2014, resulting in a total over-recovery adjustment of \$833,383 to the Company's base fuel costs. These adjustments are reflected in the cumulative (under) recovered base fuel cost balance in No. 3 above.

9. The Parties further agree that, except as noted herein, any challenges to DEP's historical fuel cost recovery for the period ending February 28, 2014, are not subject to further review; however, the projected fuel costs for periods beginning March 1, 2014, and thereafter shall be open issues in future fuel cost proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.

10. With regard to plant outages not complete as of February 28, 2014, and plant outages where final reports (Company, contractor, government reports or otherwise) are not available, the Parties agree that Nucor and ORS retain the right to review the reasonableness of plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) become available.

11. DEP agrees that in an effort to keep the Parties and DEP's customers informed of the over/under recovery balances related to fuel costs and of DEP's commercially reasonable

efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, DEP will provide to Nucor and ORS, and where applicable, its customers the following information:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts (during each of the three quarters in which there is no annual fuel proceeding but not in the quarter where DEP makes its annual fuel filing) of the expected fuel factor to be set at its next annual fuel proceeding based upon DEP's historical over/(under) recovery to date and DEP's forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. DEP agrees that it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

12. DEP agrees to continue to examine and make adjustments as necessary to its natural gas hedging program in light of the reduced volatility in the domestic natural gas market. DEP also agrees to provide monthly natural gas hedging reports to Nucor and ORS.

13. Nothing contained in this Settlement Agreement alters, amends, or changes the methodology established for determining the environmental factor for DEP's rate classes as set forth in Paragraphs 3(B) and (C) of the Settlement Agreement filed with and approved by the Commission in Docket No. 2007-1-E.

14. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2013). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the state's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

15. The Parties agree that this Settlement Agreement is reasonable, is in the public interest, and is in accordance with law and regulatory policy.

16. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

17. This written Settlement Agreement contains the complete agreement of the Parties regarding this matter. There are no other terms or conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty by providing written notice of intent to do so within five (5) working days of notice of the Commission's decision not to approve the

Settlement Agreement in its entirety. In the event any Party withdraws under such circumstances, the Settlement Agreement is null and void, each Party shall have the opportunity to present evidence and advocate its position in the proceeding, and the Parties shall work together in good faith to develop and propose a new procedural schedule to put the Parties back in the position they were in prior to the settlement.

18. This Settlement Agreement shall be interpreted according to South Carolina law.

19. Except as expressly set forth herein, this Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 in any future proceeding. This Settlement Agreement does not establish any precedent with respect to the issues resolved herein, and in no way precludes any Party herein from advocating an alternative methodology under S.C. Code Ann. § 58-27-865 (Supp. 2013) in any future proceeding.

20. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

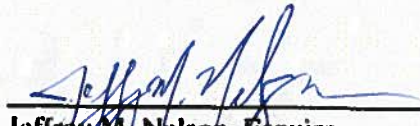
21. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in

counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

**[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**



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**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2014-1-E**

IN RE: Annual Review of Base Rates for Fuel Costs     )  
of Duke Energy Progress, Incorporated                 ) **CERTIFICATE OF SERVICE**

This is to certify that I, Karen D. Elliott, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Karen D. Elliott

June 12, 2014  
Columbia, South Carolina